



TOWNSHIP OF SHERIDAN
Mason County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

TOWNSHIP OF SHERIDAN
Mason County, Michigan

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AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sheridan	County Mason
Audit Date March 31, 2005	Opinion Date July 12, 2005	Date Accountant Report Submitted to State: August 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 12, 2005

To the Township Board
Township of Sheridan
Mason County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sheridan, Mason County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sheridan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sheridan, Mason County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SHERIDAN
Mason County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Sheridan covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$169,540.44 for governmental activities. The Cemetery Perpetual Care Fund had interest revenue of \$524.51, which was transferred to the General Fund. There were no sales of Cemetery Perpetual Care.

Taxable value increased by approximately \$2,525,000.00, or 7.5%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Cemetery Perpetual Care Fund.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has only governmental funds, which are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year, voters passed a Road Brining/Improvement millage request of 1.0 mills. This millage will generate approximately \$33,600.00 during the first year.

Our cash position remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. Other than expenses of general government, the most significant expenses were roads incurring \$7,932.00 and fire protection with expenses of \$7,787.94.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township made no investment in capital assets or payments on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 42% of our income. We continue to grow at a 7½ to 8% rate in taxable values with little demand for infrastructure, except for road improvements. Historically, the cost to improve/maintain roads is significantly higher than during this past fiscal year. In the future, we expect that cost to far exceed this year's expense.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 231-462-3565, or the Township Treasurer at 231-462-3550.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	124 392 80
Taxes receivable	7 704 95
Special assessments receivable	<u>1 459 81</u>
Total Current Assets	<u>133 557 56</u>
NON-CURRENT ASSETS:	
Capital Assets	49 560 00
Less: Accumulated Depreciation	<u>(33 310 75)</u>
Total Non-current Assets	<u>16 249 25</u>
TOTAL ASSETS	<u><u>149 806 81</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	16 249 25
Reserved for cemetery	15 372 68
Unrestricted	<u>118 184 88</u>
Total Net Assets	<u>149 806 81</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>149 806 81</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS		<u>Charges for Services</u>	
Governmental Activities:			
Legislative	4 955 79	-	(4 955 79)
General government	53 733 22	20 158 11	(33 575 11)
Public safety	7 787 94	-	(7 787 94)
Public works	11 514 70	13 500 71	1 986 01
Culture and recreation	1 464 85	-	(1 464 85)
Other	10 753 18	-	(10 753 18)
Total Governmental Activities	<u>90 209 68</u>	<u>33 658 82</u>	<u>(56 550 86)</u>
General Revenues:			
Property taxes			60 264 17
State revenue sharing			69 194 92
Interest			425 53
Miscellaneous			5 997 00
Total General Revenues			<u>135 881 62</u>
Change in net assets			79 330 76
Net assets, beginning of year			<u>70 476 05</u>
Net Assets, End of Year			<u>149 806 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	109 020 12	15 372 68	124 392 80
Taxes receivable	7 704 95	-	7 704 95
Special assessment receivable	<u>1 459 81</u>	<u>-</u>	<u>1 459 81</u>
Total Assets	<u>118 184 88</u>	<u>15 372 68</u>	<u>133 557 56</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved	-	15 372 68	15 372 68
Unreserved:			
Undesignated	<u>118 184 88</u>	<u>-</u>	<u>118 184 88</u>
Total fund equity	<u>118 184 88</u>	<u>15 372 68</u>	<u>133 557 56</u>
Total Liabilities and Fund Equity	<u>118 184 88</u>	<u>15 372 68</u>	<u>133 557 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	133 557 56
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	49 560 00
Accumulated depreciation	<u>(33 310 75)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>149 806 81</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Revenues:			
Property taxes	60 264 17	-	60 264 17
Other taxes	588 13	-	588 13
Licenses and permits	6 080 43	-	6 080 43
State revenue sharing	69 194 92	-	69 194 92
Charges for services – PTAF	12 696 12	-	12 696 12
Charges for services – cemetery	300 00	493 43	793 43
Interest	394 45	31 08	425 53
Special assessments	13 500 71	-	13 500 71
Miscellaneous	5 997 00	-	5 997 00
Total revenues	<u>169 015 93</u>	<u>524 51</u>	<u>169 540 44</u>
Expenditures:			
Legislative:			
Township Board	4 955 79	-	4 955 79
General government:			
Supervisor	7 492 19	-	7 492 19
Elections	1 806 35	-	1 806 35
Assessor	18 195 00	-	18 195 00
Clerk	6 884 37	-	6 884 37
Board of Review	850 00	-	850 00
Treasurer	12 100 90	-	12 100 90
Building and grounds	971 37	-	971 37
Cemetery	3 574 59	-	3 574 59
Unallocated	1 208 50	-	1 208 50
Public safety:			
Fire protection	7 787 94	-	7 787 94
Public works:			
Highways and streets	7 932 00	-	7 932 00
Sanitation	3 576 79	-	3 576 79
Drains	5 91	-	5 91
Culture and recreation:			
Park	1 464 85	-	1 464 85
Other:			
Social security	662 50	-	662 50
Insurance	3 333 00	-	3 333 00
Retirement	6 757 68	-	6 757 68
Total expenditures	<u>89 559 73</u>	<u>-</u>	<u>89 559 73</u>
Excess of revenues over expenditures	<u>79 456 20</u>	<u>524 51</u>	<u>79 980 71</u>
Other financing sources (uses):			
Operating transfers in	524 51	-	524 51
Operating transfers out	-	(524 51)	(524 51)
Total other financing sources (uses)	<u>524 51</u>	<u>(524 51)</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Excess of revenues and other sources over expenditures and other uses	79 980 71	-	79 980 71
Fund balances, April 1	<u>38 204 17</u>	<u>15 372 68</u>	<u>53 576 85</u>
Fund Balances, March 31	<u>118 184 88</u>	<u>15 372 68</u>	<u>133 557 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 79 980 71

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(649 95)
Capital Outlay	-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>79 330 76</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sheridan, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sheridan. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 1.7926 mills, and the taxable value was \$33,626,966.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-60 years
Furniture and equipment	5-7 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$16,249.25.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>124 392 80</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	116 379 90
Uninsured and Uncollateralized	<u>12 281 34</u>
Total Deposits	<u><u>128 661 24</u></u>

The Township of Sheridan did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	4 000 00	-	-	4 000 00
Buildings and improvements	33 199 00	-	-	33 199 00
Equipment	<u>12 361 00</u>	<u>-</u>	<u>-</u>	<u>12 361 00</u>
Total	49 560 00	-	-	49 560 00
Accumulated Depreciation	<u>(32 660 80)</u>	<u>(649 95)</u>	<u>-</u>	<u>(33 310 75)</u>
Net Capital Assets	<u><u>16 899 20</u></u>	<u><u>(649 95)</u></u>	<u><u>-</u></u>	<u><u>16 249 25</u></u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan that covers the members of the Township Board, the Cemetery Sexton and the Park Caretaker. The Township contributes an amount of each covered employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$6,757.68.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Sheridan does not issue building permits. Building permits are issued by the County of Mason.

TOWNSHIP OF SHERIDAN
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>524 51</u>	Cemetery Perpetual Care	<u>524 51</u>
Total	<u>524 51</u>	Total	<u>524 51</u>

TOWNSHIP OF SHERIDAN
Mason County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	33 626 00	67 226 00	60 264 17	(6 961 83)
Other taxes	-	-	588 13	588 13
Licenses and permits	6 075 00	6 075 00	6 080 43	5 43
State revenue sharing	66 972 00	66 972 00	69 194 92	2 222 92
Charges for services:				
Property tax administration	-	-	12 696 12	12 696 12
Cemetery	400 00	400 00	300 00	(100 00)
Interest	900 00	900 00	394 45	(505 55)
Special assessments	-	-	13 500 71	13 500 71
Miscellaneous	900 00	900 00	5 997 00	5 097 00
Total revenues	108 873 00	142 473 00	169 015 93	26 542 93
Expenditures:				
Legislative:				
Township Board	5 800 00	5 800 00	4 955 79	(844 21)
General government:				
Supervisor	8 000 00	8 000 00	7 492 19	(507 81)
Elections	1 600 00	1 810 00	1 806 35	(3 65)
Assessor	18 200 00	18 200 00	18 195 00	(5 00)
Clerk	7 300 00	7 300 00	6 884 37	(415 63)
Board of Review	1 100 00	1 100 00	850 00	(250 00)
Treasurer	12 900 00	12 900 00	12 100 90	(799 10)
Building and grounds	2 000 00	2 000 00	971 37	(1 028 63)
Cemetery	5 000 00	5 000 00	3 574 59	(1 425 41)
Unallocated	1 500 00	1 492 50	1 208 50	(284 00)
Public safety:				
Fire protection	8 000 00	8 000 00	7 787 94	(212 06)
Public works:				
Highways and streets	22 209 00	55 809 00	7 932 00	(47 877 00)
Sanitation	5 200 00	5 200 00	3 576 79	(1 623 21)
Drains	100 00	100 00	5 91	(94 09)
Culture and recreation:				
Park	19 000 00	19 000 00	1 464 85	(17 535 15)
Contingency	5 000 00	3 919 50	-	(3 919 50)
Other:				
Social security	700 00	700 00	662 50	(37 50)
Insurance	3 200 00	3 333 00	3 333 00	-
Retirement	6 500 00	6 800 00	6 757 68	(42 32)
Total expenditures	132 864 00	166 464 00	89 559 73	(76 904 27)
Excess (deficiency) of revenues over expenditures	(23 991 00)	(23 991 00)	79 456 20	103 447 20

TOWNSHIP OF SHERIDAN
Mason County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Other financing sources (uses):				
Operating transfers in	600 00	600 00	524 51	(75 49)
Total other financing sources (uses)	600 00	600 00	524 51	(75 49)
Excess (deficiency) of revenues and other sources over expenditures and other uses	23 391 00	(23 391 00)	79 980 71	103 371 71
Fund balance, April 1	23 391 00	23 391 00	38 204 17	14 813 17
Fund Balance, March 31	-	-	118 184 88	118 184 88

TOWNSHIP OF SHERIDAN
Mason County, Michigan

BUDGETARY COMPARISON SCHEDULE – CEMETERY PERPETUAL CARE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Charges for services:				
Cemetery	200 00	200 00	493 43	293 43
Interest	<u>600 00</u>	<u>600 00</u>	<u>31 08</u>	<u>(568 92)</u>
Total revenues	<u>800 00</u>	<u>800 00</u>	<u>524 51</u>	<u>(275 49)</u>
Expenditures:				
General government:				
Cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>800 00</u>	<u>800 00</u>	<u>524 51</u>	<u>(275 49)</u>
Other financing sources (uses):				
Operating transfers in	<u>(600 00)</u>	<u>(600 00)</u>	<u>(524 51)</u>	<u>75 49</u>
Total other financing sources (uses)	<u>(600 00)</u>	<u>(600 00)</u>	<u>(524 51)</u>	<u>75 49</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	200 00	200 00	-	(200 00)
Fund balance, April 1	<u>850 00</u>	<u>850 00</u>	<u>15 372 68</u>	<u>14 522 68</u>
Fund Balance, March 31	<u><u>1 050 00</u></u>	<u><u>1 050 00</u></u>	<u><u>15 372 68</u></u>	<u><u>14 322 68</u></u>

TOWNSHIP OF SHERIDAN
Mason County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2005

Township Board:	
Salaries and wages	3 200 00
Printing and publishing	944 96
Miscellaneous	810 83
	<u>4 955 79</u>
Supervisor:	
Office supplies	2 992 19
Salary	4 500 00
	<u>7 492 19</u>
Elections:	
Wages	7 20
Printing and publishing	279 69
Miscellaneous	1 519 46
	<u>1 806 35</u>
Assessor:	
Wages	15 000 00
Miscellaneous	3 195 00
	<u>18 195 00</u>
Clerk:	
Salary	6 500 00
Miscellaneous	384 37
	<u>6 884 37</u>
Board of Review:	
Wages	850 00
	<u>850 00</u>
Treasurer:	
Salary	7 500 00
Supplies	4 270 65
Miscellaneous	330 25
	<u>12 100 90</u>
Building and grounds:	
Salaries	289 00
Miscellaneous	682 37
	<u>971 37</u>
Cemetery:	
Salaries	1 836 00
Supplies	858 84
Miscellaneous	879 75
	<u>3 574 59</u>
Unallocated:	
Liquor inspector	192 50
Accounting	800 00
Attorney	216 00
	<u>1 208 50</u>
Fire protection:	
Professional services	7 787 94
	<u>7 787 94</u>
Highways and streets	<u>7 932 00</u>

TOWNSHIP OF SHERIDAN
Mason County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Sanitation:	
Salaries	99 00
Professional services	3 234 79
Miscellaneous	<u>243 00</u>
	<u>3 576 79</u>
 Drains	 <u>5 91</u>
 Park:	
Salaries	936 00
Miscellaneous	<u>528 85</u>
	<u>1 464 85</u>
 Social security	 <u>662 50</u>
 Insurance	 <u>3 333 00</u>
 Pension	 <u>6 757 68</u>
 Total Expenditures	 <u><u>89 559 73</u></u>

TOWNSHIP OF SHERIDAN
Mason County, Michigan

BALANCE SHEET - PERMANENT FUND
March 31, 2005

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Cash in bank	<u>15 372 68</u>
Total Assets	<u>15 372 68</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances: Reserved	<u>15 372 68</u>
Total Liabilities and Fund Balances	<u>15 372 68</u>

TOWNSHIP OF SHERIDAN
Mason County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2005

	<u>Cemetery Perpetual Care</u>
Revenues:	
Charges for services	493 43
Interest	<u>31 08</u>
Total revenues	<u>524 51</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	524 51
Other financing sources (uses):	
Operating transfers out	<u>(524 51)</u>
Total other financing sources (uses)	<u>(524 51)</u>
Excess of revenues and other sources over expenditures and other uses	-
Fund balance, April 1	<u>15 372 68</u>
Fund Balance, March 31	<u><u>15 372 68</u></u>

TOWNSHIP OF SHERIDAN
Mason County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>1 161 288 69</u>	<u>1 161 288 69</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	70 656 45	70 656 45	-
Due to others	<u>-</u>	<u>1 090 632 24</u>	<u>1 090 632 24</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>1 161 288 69</u>	<u>1 161 288 69</u>	<u>-</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 12, 2005

To the Township Board
Township of Sheridan
Mason County, Michigan

We have audited the financial statements of the Township of Sheridan for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sheridan in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sheridan
Mason County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Sheridan began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Sheridan
Mason County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants